

Hawai'i State Association of Counties (HSAC)
Counties of Kaua'i, Maui, Hawai'i & City & County of Honolulu

AGENDA
HSAC EXECUTIVE COMMITTEE MEETING
Thursday, August 27, 2015 at 10:00 a.m. or Soon Thereafter
Honolulu Hale, Committee Meeting Room
530 South King Street
Honolulu, Hawai'i 96813

RECEIVED
CITY CLERK
C & C OF HONOLULU
2015 AUG 20 PM 4: 03

I. CALL TO ORDER

II. APPROVAL OF AGENDA

III. MINUTES

- A. Minutes of the July 29, 2015 HSAC Executive Committee Meeting, as submitted by the HSAC Secretary.

IV. REPORTS

A. Treasurer's Report

1. Treasurer's Report for the month of July 2015, as submitted by the HSAC Treasurer.

B. County Reports

1. County of Maui Report
2. County of Hawai'i Report
3. City and County of Honolulu Report
4. County of Kaua'i Report

C. National Association of Counties (NACo) Report

D. Western Interstate Region (WIR) Report

E. 2015 Hawai'i State Association of Counties Annual Conference Report

V. UNFINISHED BUSINESS

VI. NEW BUSINESS

- A. Presentation by Representative Romy M. Cachola addressing the State of Hawai'i Employer – Union Health Benefits Trust Fund unfunded liability.

- B. Communication (08/18/2015) from HSAC Treasurer Michael P. Victorino, transmitting for the Executive Committee's review and approval: 1) draft letter to Carbonaro CPAs & Management Group, and 2) draft Audit Financial Statements (with Independent Auditors' Report) for the Years Ended June 30, 2015 and 2014.

VII. ANNOUNCEMENTS

- A. Schedule the next meeting.
- B. Other announcements.

VIII. ADJOURNMENT



Hawaii State Association of Counties

Counties of Kauai, Maui, Hawaii and City and County of Honolulu



RECEIVED

MINUTES
HSAC EXECUTIVE COMMITTEE MEETING
July 29, 2015
Honolulu Hale, Committee Meeting Room
530 South King Street
Honolulu, Hawaii 96813

*15 AUG 20 P3:27

OFFICE OF THE
CLERK OF THE COURT
COUNTY OF HAWAII

I. CALL TO ORDER

The HSAC Executive Committee was called to order by President Mel Rapozo at 10:05 a.m. The following members comprising a quorum were present:

County of Kauai: HSAC President Mel Rapozo, County of Kauai Council Chair

County of Hawaii: Vice President Alternate Daniel K. Paleka, County of Hawaii Councilmember

City and County of Honolulu: Secretary Ikaika Anderson, City and County of Honolulu Council Vice-Chair

County of Maui: Treasurer Michael Victorino, County of Maui Councilmember

Others Present: Honolulu staff Doug Chun, Legislative Analyst, Office of Council Services;
Honolulu staff Brandon Mitsuda, Council Liaison, Honolulu City Council Administrative Support Services;
Maui staff Kit Zulueta, Communication Director, Office of Council Services

Tyler Dos Santos-Tam, Hawaii Construction Alliance

II. APPROVAL OF AGENDA

The Committee approved the agenda.



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III. MINUTES A.

III. MINUTES

The Committee approved the Minutes of the June 24, 2015 Executive Committee meetings.

IV. REPORTS

A. Treasurer's Report

Treasurer's Report for the month of June 2015, as submitted by the HSAC Treasurer.

Treasurer Victorino noted that for the period ended June 30, 2015, revenues totaled \$182.37, while expenses totaled \$883.55. Overall, the total balance after accounting for revenues and expenses was \$143,115.67.

There being no questions for Treasurer Victorino, the Treasurer's Report for the month of June 2015 was approved.

B. County Reports

1. Maui County Report. Treasurer Victorino began by thanking all who attended the 2015 HSAC Conference, including delegates, officials, staff and visitors. All reports have been that the conference was a big success. Although a final compilation of total conference revenue has not yet been completed, Treasurer Victorino estimated that the revenue would come in at between \$30,000 and \$40,000. He then began his oral report by reporting the following items: 1) The Council has set aside an initial \$3 million to purchase 267 acres of land in Kuiaha on Maui's north shore, adjacent to the monster surf spot "Jaws," for preservation purposes, 2) Treasurer Victorino has introduced a bill to ban smoking at bus stops and facilities in order to make the ban comprehensive in nature, 3) The County is working on the issue of short-term rentals and is seeking ways to increase enforcement, 4) The Council continues to research the issue of a county manager type of government, and 5) Treasurer Victorino noted that with respect to the 2016 HSAC legislative package, Maui County believes HSAC can be united regarding: a. Negotiations with the State regarding the provision of services like firefighting and police forces, b. Preserving and expanding the counties' share of the TAT (It was mentioned that a State/Counties Functions Working Group has been formed to deal with the issue of the TAT, with county finance directors and the Honolulu Mayor's Chief of Staff among the members.), and c. Proposing that the Legislature exempt the

counties from restrictive meetings provisions in HRS Chapter 92 in order to provide less burdensome meeting provisions, on par with those that the Legislature currently enjoys.

Finally, Treasurer Victorino distributed a "postcard" that the Council provides to constituents regarding the 2016 Budget Results, which highlights positive aspects of the recently completed budget process, including reducing property taxes and expenditures, and providing funding for specific infrastructure needs.

(A discussion ensued with President Rapozo agreeing with Treasurer Victorino that HSAC should unite behind the issues of strengthening the counties' position in state/county negotiations for services, protecting the counties' share of the TAT, and working to eliminate the restrictive nature of the OIP open meeting requirements.)

2. Hawaii County Report. Vice President Alternate Daniel Paleka thanked Maui County for putting on a great HSAC conference last month. He then reported that Hawaii County now has \$99 million in bond funds that will target numerous improvements, including the upgrading of island parks, funding for soil conservation districts, and the acquisition of property for conservation. Finally, he noted that a "pay as you throw" bill was introduced to set fees for solid waste disposal, which generated much discussion and opposition, and was subsequently withdrawn. (A discussion ensued on the "pay as you throw" issue, with the lack of recycling, waste-to-energy, and other processing facilities mentioned as potential roadblocks in any "pay as you throw" program.)
3. City and County of Honolulu Report. Secretary Anderson reported the following items: 1) The Executive Matters and Legal Affairs Committee deferred Bill 5 (2014), which would have added sparklers and fountains to the current consumer fireworks law as a permissible use, 2) The Zoning and Planning (Z&P) Committee reported out Bill 45, dealing with diaper changing accommodations; Bill 44, which prohibits persons from sitting or lying on public malls in the Downtown Honolulu and Chinatown areas (Secretary Anderson noted at this point that he would be looking into the possibility of reviving Bill 45 (2014), which would establish an island-wide sit/lie ban); and Bill 49, amending the city's laws relating to the use of public malls to provide for greater flexibility for the Department of Parks and Recreation's regulation of pedestrian malls in the Downtown/Chinatown area. The Z&P committee also deferred action on Bill 20, amending the Land Use Ordinance

(LUO) to establish accessory dwelling units as a permitted use in all residential zoning districts. This was done in order for the committee to explore certain additional amendments, 3) The Council recently hosted the Mayor and other officials of Fukuoka, Japan at meetings to discuss potential economic and civic opportunities between the two cities, 4) the Council is currently working with the Nagaoka City Council of Japan on co-hosting the Peace Exchange Commemorative Project to strengthen ties between the U.S. and Japan. On October 14-15, 2015, the Youth Peace Exchange Summit will be held and Nagaoka fireworks will be launched at Pearl Harbor. The public is invited to attend, and 5) Work has already begun for the Annual Honolulu City Lights to be celebrated at both Honolulu Hale and Kapolei Hale.

(At this point in the meeting, Treasurer Victorino asked whether it would be possible to hold the December HSAC Executive Committee meeting at Kapolei Hale. President Rapozo agreed that it would be a good idea and said he would look into scheduling the December meeting at that venue.)

4. Kauai County Report. President Rapozo began by noting that Kauai recently had a tragic landfill accident that killed a county employee. He further noted that OSHA was investigating the incident.

President Rapozo thanked Maui County for hosting a great HSAC conference. He then reported on Kauai County's Charter Amendment proposals: 1) The County Council is looking at the pros and cons of a County Manager system, which would effectively do away with a mayor and the executive branch system. President Rapozo wants to honestly look into this once and for all in order to either pursue it on the ballot or put the issue to rest. (A discussion ensued that touched upon the various iterations of the county manager system, accountability resulting from continuity, civil service ramifications, and other issues.), and 2) The Council may also propose a Charter Amendment to remove term limits for Kauai elected officials.

President Rapozo thanked Honolulu for tackling the homeless problem, noting that it was becoming a bigger issue on the neighbor islands. (A discussion ensued that touched upon homeless people from out of state, NIMBYism, different categories of homeless persons, sit/lie pros and cons, Housing First, and other issues.)

the Council of the City and County of Honolulu at its meeting on July 8, 2015.

President Rapozo noted that he was shocked that the State Legislature did not support and approve this humane and compassionate measure during the last Legislative Session. He asked Secretary Anderson if he wanted an HSAC Resolution or a letter of support for Resolution No. 15-152. Secretary Anderson stated that a letter would suffice.

There being no further discussion, a motion was made, seconded and approved to receive the item.

- B. Communication (July 15, 2015) from the Office of Council Chair Mike White, County of Maui, transmitting for the Executive Committee's consideration a nomination form for the NACo Transportation Committee.

Treasurer Victorino noted that this communication was sent late (after the fact) and was Council Chair White's preferred corrective action in this matter, just in case a problem arose.

There being no further discussion, a motion was made, seconded and approved to receive the item.

VII. ANNOUNCEMENTS

- A. Schedule the next meeting:

Thursday, August 27, 2015, Honolulu Hale Committee Room, 10:00 a.m.

- B. Other announcements.

Treasurer Victorino announced that Maui County will host a "Budget System Review" regarding the way that Maui County handles and processes its annual budget. This came about because the Chair of the Hawaii County Council expressed a desire to visit and see how things are done on Maui. This Budget System Review meeting will occur on September 11 in the Maui County Council Chamber at 10:00 a.m. All members are welcome to attend.

President Rapozo mentioned that a man named Walter Stazinsky called him and asked about being the keynote speaker at the next HSAC conference. Vice President Alternate Paleka offered to follow up with Mr. Stazinsky since the Hawaii Island County Council will host the HSAC annual conference in 2016.

A motion was made, seconded and approved to receive the county reports.

C. NACo Report

Treasurer Victorino reported that the annual NACo conference held on July 9-13, 2015 in Charlotte, North Carolina was a good conference with solid panels, excellent speakers, and interesting activities.

President Rapozo noted that HSAC is facing a changing of the guard, with new councilmembers taking on leadership roles on NACo committees. He further mentioned that it was incumbent on the old-timers on HSAC to pass on their institutional knowledge and connections to the younger councilmembers who are coming in.

D. WIR Report

Vice President Alternate Daniel Paleka noted that an upcoming conference is scheduled for October 7-9, 2015 in Ada County, Idaho.

A motion was made, seconded and approved to receive the NACo and WIR reports.

V. UNFINISHED BUSINESS

There was no unfinished business listed on the agenda. (At this point, Treasurer Victorino asked about the Big Island acting on the HSAC slate of officers that was deferred at the 2015 HSAC conference due to Hawaii County's defeating the associated Big Island Resolution that would have approved the HSAC slate. President Rapozo noted that he was notified that the original HSAC Resolution cannot be brought back to the table for Hawaii County Council consideration unless there is at least one position change in the slate. Secretary Anderson offered to take on the position of Treasurer to ensure a change in the slate, with the new slate being as follows: Maui—President, Hawaii Island—Vice President, Honolulu—Treasurer, and Kauai—Secretary. Secretary Anderson offered to take the lead in this matter to move it forward.)

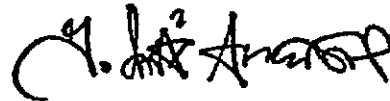
VI. NEW BUSINESS

- A. Communication (July 8, 2015) from City Clerk Glen Takahashi, City and County of Honolulu, transmitting for the Executive Committee's information Resolution No. 15-152, Urging The Hawai'i State Association Of Counties To Support State Legislative Efforts To Allow Two Individuals Who Are Married Or In A Civil Union To Reside In The Same Community Care Foster Family Home Under Certain Conditions, that was adopted by

VIII. ADJOURNMENT

The meeting was adjourned at 11:33 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "I. Anderson", written in a cursive style.

IKAIKA ANDERSON, Secretary
Hawaii State Association of Counties

Hawai'i State Association of Counties (HSAC)
Counties of Hawai'i, Kaua'i, Maui, and City & County of Honolulu

August 20, 2015

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HSAC President and
Members of the Executive Committee

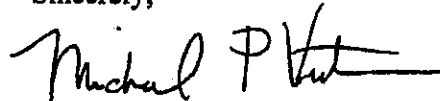
OFFICE OF
THE COUNTY CLERK
COUNTY OF KAUAI

Dear President and Members:

SUBJECT: TREASURER'S REPORT FOR JULY 2015

Attached please find a report of the Association's revenues and expenses for the period of July 1 through July 31, 2015.

Sincerely,



MICHAEL P. VICTORINO
HSAC Treasurer

Attachment

ocs:proj:hsac:FY2016:16ltr:1507ltr:mkz

IV. REPORTS A.

4396 Rice Street, Suite 209, Lihue, Kaua'i, Hawai'i 96766, (808) 241-4188

Hawaii State Association of Counties
REVENUES COLLECTED AND EXPENSES PAID

Period: July 1, 2015 through July 31, 2015

BEGINNING BALANCE				\$ 143,115.67
	Current Period	FY 2016	FY 2016	
	July	Year to Date	Budget	
REVENUES				
Membership Fees	\$0.00	\$0.00	\$43,680.00	
Conference Income	\$0.00	\$0.00	\$15,000.00	
Interest Income	\$2.54	\$2.54	\$28.00	
Corporate Sponsorship	\$0.00	\$0.00	\$0.00	
Miscellaneous	\$10,000.00	\$10,000.00	\$0.00	
NACo Prescription Drug	\$1,372.40	\$1,372.40	\$6,000.00	
Fund Balance, prior FY	\$0.00	\$0.00	\$107,164.00	
Total	\$11,374.94	\$11,374.94	\$171,872.00	
Total Receipts This Period				\$11,374.94
EXPENSES				
Executive Committee				
Travel-Air and Ground	\$539.29	\$539.29	\$15,500.00	
Auditing Services	\$0.00	\$0.00	\$5,000.00	
Stationery	\$0.00	\$0.00	\$150.00	
Miscellaneous	\$159.40	\$159.40	\$2,000.00	
Online Quickbooks Monthly Fee	\$41.55	\$41.55	\$500.00	
Special Committees				
Travel	\$0.00	\$0.00	\$500.00	
Miscellaneous	\$0.00	\$0.00	\$100.00	
NACo				
Board Travel-Air and Ground	\$2,407.97	\$2,407.97	\$18,000.00	
Steering Committees Travel-Air and Ground	\$0.00	\$0.00	\$6,000.00	
Promotional	\$0.00	\$0.00	\$250.00	
Dues	\$0.00	\$0.00	\$27,268.00	
Miscellaneous	\$1,315.53	\$1,315.53	\$1,000.00	
WIR				
WIR Travel-Air and Ground	\$2,514.49	\$2,514.49	\$9,000.00	
WIR Promotional	\$0.00	\$0.00	\$2,250.00	
WIR Dues	\$0.00	\$0.00	\$3,804.00	
WIR Miscellaneous	\$0.00	\$0.00	\$1,000.00	
WIR 2015 Conference	\$0.00	\$0.00	\$5,755.00	
OTHER				
Adjustments for Travel and Related Expenses	\$0.00	\$0.00	\$10,795.00	
National Conference Fund	\$0.00	\$0.00	\$44,000.00	
Prescription Drug Scholarship Program	\$0.00	\$0.00	\$7,500.00	
County Leadership Institute Attendee	\$0.00	\$0.00	\$3,000.00	
Prescription Drug Promotion	\$0.00	\$0.00	\$5,000.00	
HSAC Promotion	\$0.00	\$0.00	\$3,500.00	
Total	\$6,978.23	\$6,978.23	\$171,872.00	
Total Expenses This Period				\$6,978.23
ENDING BALANCE				\$ 147,512.38
IV. REPORTS A.				
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Hawai'i State Association of Counties (HSAC)
Counties of Kaua'i, Maui, Hawai'i & City & County of Honolulu

August 18, 2015

RECEIVED

HSAC President and
Members of the Executive Committee

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Dear President and Members:

Attached is a draft letter to the auditor regarding the HSAC Audited Financial Statements for the year ending in June 30, 2015, for your review and approval.

If you have any questions, please contact me or Kit Zulueta at (808) 270-7665.

Sincerely,



Michael P. Victorino
HSAC Treasurer

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Hawai'i State Association of Counties (HSAC)
Counties of Kaua'i, Maui, Hawai'i & City & County of Honolulu

August 14, 2015

Carbonaro CPAs & Management Group
1885 Main Street, Suite 408
Wailuku, Hawaii 96793

This representation letter is provided in connection with your audit of the financial statements of Hawaii Association of Counties, which comprise the statements of assets, liabilities, and net assets- cash basis as of June 30, 2014 and 2015, and the related statements of support, revenue, and expenses- cash basis, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 14, 2015, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 21, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

4396 Rice Street, Suite 209, Lihu'e, Kaua'i, Hawai'i 96766, (808) 241-4188

Hawai'i State Association of Counties (HSAC)
Counties of Kaua'i, Maui, Hawai'i & City & County of Honolulu

- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

12) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

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Hawai'i State Association of Counties (HSAC)
Counties of Kaua'i, Maui, Hawai'i & City & County of Honolulu

- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 20) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 22) Hawaii Association of Counties is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Councilmember Michael P. Victorino
HSAC Treasurer

Date:

Councilmember Mel Rapozo
HSAC President

Date:

hsac:FY2015:ltr: mgmt_rep_ltr_audit:mkz

HAWAII STATE ASSOCIATION OF COUNTIES, INC.
(A Hawai'i Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hawaii State Association of Counties, Inc.
Honolulu, Hawaii 96817

We have audited the accompanying financial statements of Hawai'i State Association of Counties, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—cash basis as of June 30, 2015 and 2014, and the related statement of support, revenue, and expenses—cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Hawaii State Association of Counties, Inc. as of June 30, 2015 and 2014, and its support, revenue, and expenses for the years then ended in accordance with the cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Wailuku, Hawaii
August 14, 2015

HAWAII STATE ASSOCIATION OF COUNTIES, INC.
 Statements of Assets, Liabilities, and Net Assets -- Cash Basis
 As of June 30, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	<u>\$ 215,485</u>	<u>\$ 182,916</u>
TOTAL ASSETS	<u><u>\$ 215,485</u></u>	<u><u>\$ 182,916</u></u>

NET ASSETS

NET ASSETS (Note 3)		
Unrestricted	<u>\$ 215,485</u>	<u>\$ 182,916</u>
TOTAL NET ASSETS	<u><u>\$ 215,485</u></u>	<u><u>\$ 182,916</u></u>

The accompanying notes are an integral part of these financial statements.

HAWAII STATE ASSOCIATION OF COUNTIES, INC.

Statements of Support, Revenue and Expenses – Cash Basis
For the Years Ended June 30, 2015 and 2014

SUPPORT AND REVENUE RECEIVED	2015	2014
Conference receipts:		
Conference - fiscal year 2015	216,116	-
Conference - fiscal year 2014		107,983
Total conference receipts	216,116	107,983
Membership fees	43,680	43,680
Other Income	4,435	13,671
Interest Income	32	29
Total Support and Revenue Received	264,263	165,363
EXPENSES DISBURSED		
Executive and Special Committee		
Travel (Note 6)	9,553	9,741
Accounting services	5,181	4,832
Miscellaneous	2,604	3,405
	17,338	17,978
National Association of Counties:		
Travel (Note 6)	12,863	8,494
Membership dues (Note 6)	26,751	26,751
Miscellaneous	2,330	641
	41,944	35,886
Western Association of Counties:		
Travel (Note 6)	3,890	5,258
Membership dues (Note 6)	3,506	3,506
Promotional	5,219	276
	12,615	9,040
Conferences Expenditures:		
Conference - fiscal year 2013	-	590
Conference - fiscal year 2014	-	64,669
Conference - fiscal year 2015	159,797	-
	159,797	65,259
Total Expenses	231,694	128,163
Change in Net Assets	32,569	37,200
Net assets, beginning of the year	182,916	145,716
Net assets, end of the year	\$ 215,485	\$ 182,916

The accompanying notes are an integral part of these financial statements.

HAWAII STATE ASSOCIATION OF COUNTIES, INC.

Notes to the Financial Statements
June 30, 2015 and 2014

Note 1. ASSOCIATION

The Hawaii State Association of Counties, Inc. (the Association) was incorporated as a non-profit Association under the laws of the State of Hawaii on November 8, 1974. The Hawaii State Association of Counties, Inc. serves as an agent to coordinate county programs in the best interest of the people of the State of Hawaii through cooperation of the legislative bodies of the several counties of the State; the creation of more practical and efficient county legislation, and administrative procedures; the provision of a single source of information in regard to all counties which shall be available to the Governor, the Legislature and to all proper persons, officials; and a general improvement in the conduct of the county government.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Association uses the cash basis of accounting. Under this basis, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. This basis of accounting is a comprehensive basis of accounting that is not generally accepted accounting principles.

Cash and Cash Equivalents: Cash is defined as demand deposits and savings accounts.

Income Taxes: Hawaii State Association of Counties, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and also from State of Hawaii income taxes under Section 237-23 (b) of the Hawaii Revised Statutes.

The Association is also a public charity under IRC Sections 509 (a)(1) and 170 (b)(1)(A)(vi). This allows for donations to the Association to be deductible as a charitable contribution on income tax returns.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2015 and 2014.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for 3 years after they were filed.

HAWAII STATE ASSOCIATION OF COUNTIES, INC.

Notes to the Financial Statements June 30, 2015 and 2014

Note 3. NET ASSETS

Hawaii State Association of Counties, Inc. has conformed to FASB ASC 958-210-45-9 "Not-for-Profit Entities, Classifications of Net Assets". Accordingly, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2015 and 2014, Hawaii State Association of Counties, Inc. had no temporarily restricted or permanently restricted net assets.

Note 4. CONCENTRATIONS OF RISK

Every year the Association hosts a conference. Each county hosts the conference every four years. Without this conference and the support and revenues it generates the association may be a risk of not getting enough funding to continue its operations.

Note 5. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 14, 2015, the date the financial statements were available to be issued.

Note 6. RELATED PARTY TRANSACTIONS

The Association paid dues of \$26,751 and \$26,751 to the National Association of Counties for national membership for the years ended June 30, 2015 and 2014. The Association paid \$3,506 and \$3,506 to Western Interstate Region membership for the years ended June 30, 2015 and 2014 respectively.

The Association also reimburses travel costs to county members for meetings and conferences throughout the fiscal year. Travel reimbursements to members for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
City & County of Honolulu	\$ 2,916	\$ 1,565
County of Maui	7,291	8,121
County of Kauai	5,470	5,626
County of Hawaii	10,440	8,180
	<u>\$ 26,117</u>	<u>\$ 23,492</u>

August 14, 2015

The Board of Directors of
Hawaii Association of Counties
200 South High Street Room 703
Wailuku, Hawaii 96793

We have audited the financial statements of Hawaii Association of Counties for the year ended June 30, 2015, and have issued our report thereon dated August 14, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 21, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Business Advisory Comments:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hawaii Association of Counties are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 7, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of Hawaii Association of Counties and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Carbonaro CPAs & Management Group